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Message Text

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EXDIS BURSSELS ALSO FOR USEEC; PARIS ALSO FOR USOECD

E.O. 11652: XGDS

TAGS: PFOR, EEC, ECON, ETRD, DA

SUBJECT: HIGHLIGHTS OF COOPER/ERSBOLL DISCUSSIONS

1. FOLLOWING ARE HIGHLIGHTS OF NOVEMBER 28 DISCUSSION
BETWEEN UNDER SECRETARY COOPER AND NIELS ERSBOLL, PERMANENT
UNDER SECRETARY FOR FOREIGN ECONOMIC AFFAIRS IN THE DANISH
FOREIGN MINISTRY:

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2. GREENLAND AND THE EC: ERSBOLL EXPRESSED CONCERN OVER
POSSIBILITY THAT GREENLAND MIGHT LEAVE THE EC IF THE EC DID
NOT PROVIDE SUFFICIENT INCENTIVES FOR GREENLAND TO STAY IN.
OTHER EC MEMBER STATES SHARE DANISH CONCERN THAT ONCE
GREENLAND OBTAINS HOME RULE (PROBABLY IN 1979) IT COULD VOTE
TO LEAVE THE EC AND THAT HAVING TAKEN SUCH A MAJOR STEP
GREENLAND MIGHT TAKE OTHERS THAT COULD REMOVE IT FROM THE
WESTERN ECONOMIC AND POLITICAL ORBIT
WITH SERIOUS STRATEGIC CONSEQUENCES. ERSBOLL ASKED THAT
SHOULD THE OPPORTUNITY ARISE THE U.S. INDICATE ITS CONCERN.

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FURTHER DISCUSSION REVEALED THAT THE KEY ISSUE WAS THE DESIRE OF THE GREENLANDERS FOR SPECIAL OR EXCLUSIVE RIGHTS TO FISH IN THEIR 200 MILE ZONE AND THE NEED TO CONVINCE OTHER EC MEMBER STATES TO GRANT THIS CONCESSION. ERSBOLL ALSO SAID DENMARK WAS NOT PROPOSING TO CHANGE THE EC TREATIES, BUT THAT THEY DID NEED TO GET THE GREENLANDERS SPECIAL STATUS WITHIN THE EC. HE SAID GREENLANDERS WANTED FIRMLY TO ESTABLISH THAT THEY HAD THE RIGHT TO PULL OUT OF THE EC ALTHOUGH HE DOUBTED THEY WOULD EVER DO SO.

3. NUCLEAR WASTE DISPOSAL: ERSBOLL EXPLAINED THAT THE DANISH GOVERNMENT HOPED TO BE ABLE TO LOOK TO THE U.S. FOR SOME HELP ON THE DISPOSAL QUESTION WHICH WAS A MAJOR PROBLEM TO BE SOLVED IF THE DANISH GOVERNMENT WAS TO PROCEED WITH ITS NUCLEAR PROGRAM. THE DANES WOULD LOOK TO THE UK, FRG, AND FRANCE FOR ASSISTANCE WITH THIS BUT HAD ALSO NOTED PRESIDENT CARTER'S STATEMENT AND HOPED THAT SOME ASSURANCE OF HELP COULD BE OBTAINED FROM THE U.S. COOPER EXPLAINED THAT WE HAD NOT YET WORKED OUT THE DETAILS BEHIND THE PRESIDENT'S STATEMENT.

4. BUTTER COOKIES: ERSBOLL EXPRESSED CONCERN THAT THIS ISSUE WHICH IS BEING DEALT WITH SEPARATELY BETWEEN THE EC CONFIDENTIAL

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COMMISSION AND THE TREASURY COULD HAVE A VERY BAD EFFECT ON AGRICULTURAL NEGOTIATIONS IN THE MTN IF IT WERE NOT PROPERLY HANDLED. HE RECOGNIZED THE STRICTURES OF U.S. LEGISLATION AND AGREED WITH COOPER THAT THE RESTITUTION PROVISIONS OF THE CAP MERITED DISCUSSION IN THE MTN. COOPER INDICATED THAT TREASURY WAS NOT ASKING FOR THE ELIMINATION OF THE SUBSIDY BUT FOR A REDUCTION. ERSBOLL CLAIMED THAT THE DEMAND FOR A NEGOTIATED REDUCTION AMOUNTS TO AN ATTACK ON THE CAP AND THAT THIS QUESTION COULD ONLY BE DEALT WITH IN THE MTN. THE DANES RECOGNIZE THAT THE EC HAS TO TAKE SOME ACTION TO OBTAIN A WAIVER AND THEREFORE SUPPORT THE EC COMMISSION PROPOSAL TO MAKE AN UNDERTAKING ON THE PRICE SIDE. HE ADDED THAT HAFERKAMP WAS EXPECTED TO MENTION THIS DURING HIS DISCUSSIONS IN WASHINGTON NOVEMBER 28/29.

5. MTN: ERSBOLL ACKNOWLEDGED EC COMMISSION RESPONSIBILITY FOR MTN BUT NOTED THAT COMMISSION WOULD INCREASINGLY HAVE TO GO TO THE COUNCIL FOR CHANGES IN ITS NEGOTIATING MANDATE. IT WOULD BE USEFUL FOR THE PRESIDENCY TO KNOW U.S. VIEWS SO THAT IT COULD WORK OUT CONSTRUCTIVE COM-PROMISE PROPOSALS WHICH COULD THEN BE SUPPORTED BY THE COMMISSION. ERSBOLL NOTED THAT HE HAD DISCUSSED THIS WITH HAFERKAMP WHO HAD NO PROBLEM WITH ERSBOLL'S REQUEST THAT THE PRESIDENCY BE KEPT INFORMED OF U.S. VIEWS. COOPER SAID WE WOULD BE PLEASED TO KEEP IN CLOSE TOUCH DURING THE DANISH PRESIDENCY WHICH WOULD TAKE PLACE DURING A CRUCIAL

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PERIOD IN THE MTN. HE THOUGHT IT WOULD BE USEFUL TO EMPHASIZE TO EC MEMBER STATES THAT DEPTH OF TARIFF CUT SHOULD BE LOOKED AT IN PERSPECTIVE. STAGING OF THE TARIFF CUTS WOULD NOT BE COMPLETED UNTIL WELL INTO THE 1980'S. HE ALSO STRESSED THE IMPORTANCE OF HOLDING THE LINE ON EXCEPTIONS. HE ALSO EMPHASIZED THE U.S. NEED TO SEE SOMETHING ACCOMPLISHED ON SUBSIDIES. THIS WAS REQUIRED BY U.S. LEGISLATION.

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6. STEEL: COOPER DESCRIBED THE STATE OF PLAY ON STEEL AND THE PROPOSALS OF THE SOLOMON TASK FORCE. HE MENTIONED THE IMPORTANT DOMESTIC ASPECTS OF THE PROPOSALS TO IMPROVE THE VIABILITY OF THE STEEL INDUSTRY. HE DESCRIBED THE TRIGGER PRICE APPROACH WHEREBY PRICES BELOW THE TRIGGER WOULD CREATE THE PRESUMPTION OF DUMPING AND LEAD TREASURY TO BEGIN AN INVESTIGATION WITHOUT WAITING FOR AN INDUSTRY COMPLAINT. THIS WOULD SPEED UP PROCEDURES. IMPORTS ABOVE THE TRIGGER PRICE WOULD BE DEALT WITH UNDER CURRENT RULES BUT IT WAS HOPED THAT ARRANGEMENTS COULD BE MADE WITH THE MORE IMPORTANT FIRMS SO THAT THEY WOULD NOT PURSUE BROAD SCATTERS HOT PETITIONS FOR ANTIDUMPING ACTIONS, BUT THE U.S LAW WOULD STILL BE IN EFFECT IF SOMEONE WISHED TO PRESENT A PETITION. COOPER EXPLAINED THAT THE TRIGGER PRICE CONCEPT WAS BASED ON THE AVERAGE PRICE OF THE MOST EFFICIENT PRODUCER (JAPAN). HE DID NOT THINK THE IMPACT ON EUROPE WOULD BE UNFAVORABLE BUT THE PLAN WOULD RESTRAIN THE AGGRESSIVE PRICE-CUTTING NOW BEING PRACTICED BY SOME EC EXPORTERS. THE U.S. APPROACH WOULD SEEM TO BE CONSISTENT WITH THE DAVIGNON PLAN. COOPER MENTIONED THAT DAVIGNON HAD BEEN CONCERNED THAT THE U.S. NOT BE SEEN TO BE TAKING UNILATERAL ACTION. IN RECOGNITION OF THIS CONCERN WE WERE WORKING WITH DAVIGNON ON A GENERAL UMBRELLA STATEMENT TO BE USED BY THE OECD STEEL GROUP WHICH WOULD PRESENT THE PROBLEM AS A GLOBAL ONE AND WHICH WOULD RULE OUT CERTAIN SOLUTIONS SUCH AS QUANTITATIVE RESTRICTIONS. ERSBOLL SAID THAT HE AGREED WITH THE DAVIGNON APPROACH FOR RESTRUCTURING THE EC STEEL INDUSTRY.

7. NORTH/SOUTH: COOPER EXPLAINED U.S. VIEWS ON THE OVERVIEW MECHANISM ARGUING THAT A SMALL GROUP WOULD INCREASE CHANCES FOR MEANI;GFUL DISCUSSIONS WHICH WOULD NOT BE POSSIBLE IN THE UNGA AND ECOSOC. WE COULD NOT ACCEPT G-77
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TERMS OF REFERENCE PLACING THE UN IN AN ARBITER ROLE. ERSBOLL AGREED THAT THE UNGA WAS UNSUITABLE BUT THOUGHT ECOSOC MIGHT BE AN ACCEPTABLE COMPROMISE. HE FELT THAT THE SMALLER EC MEMBER STATES WOULD HAVE PROBLEMS IN GETTING

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INTO ANY SMALL GROUP. COOPER CONCLUDED THAT WHATEVER THE GROUP WE WANTED TO ENSURE THAT ITS TERMS OF REFERENCE WERE AS PRECISE AS POSSIBLE TO AVOID ITS ASSUMING A NEGOTIATING ROLE.

8. ON THE COMMON FUND ERSBOLL REPORTED THAT THE FRG HAD SHOWN SOME FLEXIBILITY AT THE LAST EC COUNCIL MEETING ON THE QUESTION OF OWN RESOURCES. THE DUTCH WERE INSISTING THAT THE EC AGREE ON MOST OF WHAT THE G-77 WANTED. ERSBOLL SAID HE THOUGHT THE EC POSITION WAS EVOLVING TOWARD MORE FLEXIBILITY REGARDING G-77 DEMANDS AND AN EC WILLINGNESS TO AGREE TO GOVERNMENT CONTRIBUTIONS FOR THE ADMINISTRATIVE EXPENSES OF THE COMMON FUND. ERSBOLL DID NOT THINK THE EC COULD ARRIVE AT THIS POSITION UNTIL EARLY 1978. COOPER SAID WE HAD NO PROBLEM WITH THIS BUT THAT WE HAD TAKEN CONTRIBUTIONS FOR ADMINISTRATIVE EXPENSES FOR GRANTED AND DOUBTED WHETHER SUCH AN OFFER WOULD BE USEFUL. COOPER EXPLAINED THAT THE U.S. HAS VERY SMALL ROOM FOR MANEUVER. WE DO NOT WISH TO INTRODUCE ANY NEW CONCESSIONS UNTIL THEY OFFERED SOME PROMISE FOR WRAPPING UP THE NEGOTIATIONS. WE HAD TO BE PATIENT.

9. ON OTHER MEASURES COOPER SAID U.S. BELIEVED OTHER MEASURES SHOULD BE HANDLED THROUGH INDIVIDUAL COMMODITY AGREEMENTS OR INTERNATIONAL FINANCIAL INSTITUTIONS. RECORD SHOWS THAT OTHER MEASURES OF THE TYPE ACHIEVED FOR WOOL AND COTTON E.G. MARKET AND PRODUCT DEVELOPMENT COULD BE HELP-FUL. HE COULD THEREFORE BE SYMPATHETIC TO OTHER MEASURES ON SUBSTANTIVE GROUNDS. BUT WE COULD NOT ACCEPT A COMMON FUND FINANCIAL ROLE ON OTHER MEASURES. ERSBOLL CONCEDED THAT EC HAD NOT REALLY THOUGHT THIS THROUGH AND WAS REACT-ING ONLY TO POLITICAL NEED TO BE RESPONSIVE TO G-77.
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DURING DISCUSSION OF FRENCH IDEA THAT OTHER MEASURES PROBLEM COULD BE SOLVED THROUGH VOLUNTARY CONTRIBUTIONS FOR THAT PURPOSE COOPER MADE CLEAR THAT IN CURRENT CONGRESSION-AL CLIMATE THERE WAS NO CHANCE OF U.S. VOLUNTARY CONTRIBU-TION FOR OTHER MEASURES. CONGRESS BELIEVED INTERNATIONAL AGENCIES WERE BECOMING MEANS TO CIRCUMVENT CONGRESSIONAL INTENT. COOPER NOTED THAT IN PRACTICE SUBSTANTIAL FUNDS HAD BEEN PROVIDED FOR OTHER MEASURES THROUGH EXISTING ORGANIZATIONS BUT THERE HAD BEEN LITTLE COORDINATION.

10. DEBT DISCUSSION FOLLOWED FAMILIAR LINES. IT WAS AGREED THAT US/EC PROPOSAL TABLED AT CIEC WAS SOLID BASIS FOR OUR POSITION, THAT REAL DEBT PROBLEM I.E. THAT OF MID-INCOME LDCS AND SOME SMALL EUROPEAN COUNTRIES WAS SERIOUS AND WAS NOT BEING ADDRESSED IN NORTH/SOUTH DIALOGUE, AND THAT DEBT RESCHEDULING BY CANADA AND SWEDEN HAD EARNED LITTLE NOTICE OR CREDIT.

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11. ECONOMIC SUMMIT: COOPER EXPRESSED PLEASURE THAT EC HAD CLEARLY DECIDED THAT EC WOULD BE REPRESENTED BY BOTH EC PRESIDENCY COUNTRY AND EC COMMISSION AT FUTURE SUMMITS NOTING THAT WE HAD ALWAYS WELCOMED EC PARTICIPATION. DISCUSSION OF DATE AND PLACE REVEALED GROWING FLEXIBILITY ON ALL SIDES. THEY ALSO AGREED THAT MAJOR PROBLEM WITH SUMMIT WAS DANGER OF EXAGGERATED PUBLIC EXPECTATIONS AND THAT FREQUENT REGULAR SUMMITS MIGHT HELP DAMPEN EXPECTATIONS. SUBSTANTIVE FOLLOW-UP WAS GOING WELL IN THE MTN AND IN THE OECD (E.G. THE UNEMPLOYMENT CONFERENCE IN DECEMBER AND LAST WEEK'S DISCUSSION OF ECONOMIC GROWTH IN THE EPC.)
12. EC ENLARGEMENT: ERSBOLL EXPRESSED CONCERN THAT SOME IN EC WERE LOOKING FOR EXCUSES TO BACK AWAY FROM THE POLITICAL COMMITMENT TO EC MEMBERSHIP WHICH THE EC HAD GIVEN TO DEMOCRACIES IN GREECE, PORTUGAL AND SPAIN. HE
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THOUGHT LACK OF PROGRESS IN EC/GREEK NEGOTIATIONS HAD HURT KARAMANIS AT THE POLLS. DURING THEIR PRESIDENCY DANES WOULD TRY TO MAKE REAL PROGRESS ON GREEK NEGOTIATIONS TO ENSURE THAT POLITICAL MOMENTUM TOWARD ENLARGEMENT IS NOT LOST. HE ASKED FOR CONTINUED DIRECT AND INDIRECT SUPPORT FOR ENLARGEMENT TO HELP THE EC FACE UP TO ITS RESPONSIBILITIES TOWARD THESE DEMOCRACIES. HE ARGUED THAT THE EC HAD ITS OWN PROBLEMS NOW AND THEY WOULD NOT BE MADE THAT MUCH WORSE BY ENLARGEMENT. COOPER AGREED WITH GENERAL THRUST OF ERSBOLL'S REMARKS AND SAID THAT IN CONTRAST TO SOME EARLIER PERIODS THERE WAS BROAD SUPPORT AMONG U.S. GOVERNMENT AGENCIES FOR EC MEMBERSHIP FOR GREECE, PORTUGAL AND SPAIN AS STRENGTHENING DEMOCRACY IN THESE COUNTRIES. WE WOULD CONTINUE THIS SUPPORT BUT WE COULD NOT GET OUT AHEAD OF THE EC AND WE WOULD, OF COURSE, PURSUE OUR INTERESTS IN THE INTERNATIONAL NEGOTIATIONS FOLLOWING MEMBERSHIP (I.E. GATT ARTICLE 24.6). ERSBOLL NOTED THAT EC HAD MADE EXTENSIVE COMMITMENTS TO THESE CONTRIES WHICH HAD BROUGHT POLITICAL ADVANTAGES. UNFORTUNATELY THIS WAS NOT AN EASY TIME FOR THE EC TO HAVE TO PICK UP THE TAB BUT THE DANES INTENDED TO USE THEIR PRESIDENCY TO MAKE A POLITICAL PUSH TO ENSURE THAT THE EC FACES UP TO ITS COMMITMENTS.

13. COOPER SUGGESTED THAT THE EC MEMBER STATES KEEP THE MACROECONOMIC SITUATION IN MIND AS IT ADDRESSES THE MTN AND ENLARGEMENT. THERE WILL BE SPILL-OVER EFFECTS ON OTHER NATIONS. ERSBOLL AGREED TO EMPHASIZE THIS DURING DANISH PRESIDENCY AND SAID THERE WERE SIGNS THAT EUROPEANS WERE BEGINNING TO RECOGNIZE NEED TO AVOID HARMFUL SIDE-EFFECTS OF THEIR ACTIONS. VANCE

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